CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Minutes of the meeting held Wednesday, October 24, 1984

ATTENDANCE: Mr. R.L. Grassby, Chairman, Mr. M. Bourgault, Prof. L. Bessner Ms. A. Kerby, Prof. G. Martin, Mr. B. Smart, Miss S. O'Reilly, Mr. L. Perkins, Miss D. Johnson, Ms. E. Gardham, Mr. L. Dixon and Mr. J. Lefebvre of William M. Mercer Ltd.

REGRETS: Mr. R.K. Groome, and Dr. H. Ladd

Minutes of the Last Meeting (June 18, 1984)

Prof. Bessner proposed a motion for the approval of the minutes of the meeting held June 18, 1984. The motion was seconded by Ms. Kerby and unanimously carried.

Meeting Schedule 1984-85

Miss Johnson asked members of committee for suggestions regarding a regular meeting day each month. It was also suggested that we hold two meetings in November to cover investment review at the first and regular business at the second. The suggested dates were November 16th and November 23rd. The second Friday of each month was proposed as the regular meeting day. The December meeting would be December 14th and Miss Johnson will check the schedules of Arts & Science Council and Senate for conflicts. The proposed schedule will be drawn up and presented to members for approval.

Additions to Agendas

Mr. Smart asked if we would add non-smokers life insurance premiums to a future agenda. Prof. Bessner asked if we could review the possibility of the committee offering other services for staff. The example cited was auto insurance. Prof. Bessner also asked that an additional item - internal audit - be added under discussion of expenses today.

Entente on transferability - Quebec Universities

Prof. Martin provided an update regarding the entente between the Quebec universities. To date C.R.E.P.U.Q., Sherbrooke, Laval, McGill and Concordia are in the process of signing. Université de Montreal and Bishops are not yet ready to sign. The effective date of transferability will be the date of signature and there will be no retroactivity.

Ad-Hoc Adjustment - Ex Gratia Pension Recipients

(Non members of pension plan)

Miss Johnson advised committee that there were now only six dossier's requiring separate Board approval for pension adjustments. The incumbents involved were either widows of deceased members or employees who had been prevented from joining the pension plan.

The Chairman asked if we will see a need for more ex-gratia pensions as we go along. Miss Johnson noted that it would be unusual for us to have new situations arising that we are not already aware of. Prof. Martin added that new cases would tend to be exceptional now.

Mr. Smart noted that it has been our habit to avoid disclosure of the identity of ex-gratia pension recipients. Miss Johnson suggested that the working documents be destroyed once the matter is dealt with. The Chairman agreed that the point regarding confidentiality was well taken.

Mr. Smart proposed a motion recommending Board approval of the ad hoc increase on the ex-gratia pensions. The motion was seconded by Prof. Martin and unanimously carried.

The Chairman asked when the last adjustment was approved on these pensions. Miss Johnson replied June 1, 1982.

Update - Past Service & Pension Adjustments

Miss Johnson noted that samples of letters sent to pensioners were enclosed with the meeting material. We designed the communique to be as informative as possible.

The Chairman asked if the actuarial implications of the increases had been taken into account. Prof. Martin noted they had been. The Chairman asked if we received complaints about accrued interest on delayed payment. Miss Johnson replied it has not been a problem to date as we are constantly faced with retroactive adjustments.

Prof. Bessner asked what the difference is between Class 2 and Class 3 letters. It was noted that:

Class 1 - involved past service and ad hoc adjustments

Class 2 - involved past service adjustments only

Class 3 - involved ad hoc adjustments only

Miss Johnson noted that all previous ad hoc adjustments had been incorporated into the past-service calculations to ensure the appropriate bottom-line increase. In addition, it was noted that some members, who retired prior to 1976 or 1978 had already received a "service credit" adjustment. The "service credit" adjustments were deducted from the past service benefit calculation.

Mr. Smart mentioned that we should have a retired representative on this committee when our pensioners reach a significant number. Their interests should be represented on this committee as well. (There are almost 200 retired members.)

Miss Johnson also noted that several members had requested that their thanks be passed along to both this committee and the Board.

Audit 1983

The Chairman asked if we have a copy of the management letter. Prof. Martin replied there was a letter, addressed to him, confirming there was no need for a management letter.

The Chairman noted there had also been discussion surrounding the audit fee increase. Prof. Martin pointed out that there had been a similar increase in the University audit fees. Touche Ross has confirmed they will make every effort to maintain the audit fee at $6,700. for 1984.

The Chairman asked Prof. Bessner for his comments on Internal Audit following his request for this addendum to the agenda.

Prof. Bessner noted that technically the committee are the trustees of a very large pension fund and if there are means of improving efficiency and procedures these should be brought up here. The controller should be asked to add an internal audit once a year.

The Chairman noted the auditors have issued a financial statement which they are prepared to vouch for. Does the University have any policy with regard to internal audits?

Prof. Martin noted a concern about the layer upon layer we may be building into the process. We have an external audit which is separate from the University audit and from the University's point of view all that could be recommended is spot checks. Prof. Martin is satisfied that the University's own controls are adequate.

Mr. Smart noted that some years ago there was reason for concern but things have improved a thousand fold sincethen. There are now few complaints about what is happening so the time when this would have been helpful has past and there is no need for further investigation.

Prof. Martin noted that if there is a problem he would have no hesitation in setting something up.

Miss Johnson added that she would be prepared to review, with any member of committee, the internal audits and revised procedures which have been put into place in recent years. We are constantly seeking ways and means of updating and improving our procedures and internal checks and balances.

The Chairman suggested that Prof. Bessner make a motion or sit down privately with Miss Johnson to see if the information he gets from her would be sufficient.

Prof. Bessner proposed a motion that the auditors issue a "Blue Book" (Management Letter) to this committee, following their audit. The motion was seconded by Ms. Kerby and carried.

Expenses 1983

Miss Johnson noted this item evolves from a request tabled by Prof. Bessner at the last meeting. A file, which includes all expenses invoices and back-up documentation, has been prepared. The file is being deposited with the Chairman to provide access to any member of the committee who is interested in reviewing it.

In addition, there is a Mercer fee of $5,604. related to past service, which was included in the regular expenses for 1983. The item should have been segregated, but was not, so the adjustment will be reflected in 1984.

The Chairman asked if there was any further discussion on expenses. Prof. Bessner asked if we could have an estimate of expenses for 1984.

Miss Johnson noted that some fees reflect the demands of this committee, (Mercers) others are scaled to the size of the fund, (custodial services and investment management) and the registration fee can be raised at the will of the government.

The Chairman asked if there was any further discussion on this topic. Prof. Bessner indicated he would rest his case for the time being.

Beutel Goodman (Mr. David Williams)

The Chairman noted he was pleased to see the third quarter report appear so promptly.

Miss Johnson noted that Mr. Williams is here in response to a letter that Mr. Fisher had sent to Committee regarding the Concordia Pension Fund participation in real estate investment (BG Preeco III) and the proposal to invest in the B.G. Acorn Fund.

Mr. Williams noted he wished to address the issues raised in Mr. Fisher's letter and respond to any questions or concerns that committee members may have. I think real estate is a completely appropriate diversification in investment for the Concordia pension fund.

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The Chairman asked if unrealized gains are reflected in the valuation of the portfolio. Mr. Lefebvre replied that both realized and unrealized gains are reflected on the basis of 20%. The Chairman asked if the concept of real estate investment conforms to the actuarial view? Mr. Lefebvre agreed that Canadian markets are limited and diversification would seem desirable.

Following some further discussion and questions Mr. Williams agreed to meet with Mr. Fisher privately should this be deemed appropriate. He also noted he wished to address another subject; the sale of a minority interest (40%) of Beutel Goodman to Crownx Inc.

The Chairman asked if there were any specific concerns or questions anyone wished to raise.

Mr. Smart asked if there was any possibility of conflict of interest. Mr. Williams replied absolutely not; Crownx will not have the right to participate in any way with the accounts Beutel Goodman already has. Prof. Bessner asked what Crownx does? Mr. Williams replied it is a public corporation, with assets of 4 billion, operating in life insurance (Crown Life) and health care facilities for the aged. (Extendacare)

Mr. Williams noted that the portfolio review was to take place shortly so it was not necessary to touch on that topic today.

The Chairman suggested that we review the other matters at the next regular business meeting.

A motion of adjournment was proposed by Ms. Kerby and seconded by Mr. Smart. The meeting adjourned at 1:45 p.m.

Respectfully Submitted,

M.D. Johnson, Secertary
Concordia Employee Benefits Committee

Special thanks to recording secretary Ms. E. Gardham